

AUDITOR'S REPORT

PUBLIC HEALTH & ENVIRONMENTAL SERVICES DR. HERMINIA PALACIO CLOSEOUT PROCEDURES



December 13, 2013

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HARRIS COUNTY AUDITOR

December 13, 2013

Dr. Umair A. Shah, Executive Director
Harris County Public Health & Environmental Services
2223 West Loop South
Houston, Texas 77027

RE: Public Health & Environmental Services - Dr. Herminia Palacio Closeout Procedures

With the change in officials of the Harris County Public Health & Environmental Services Department (the Office), the Compliance Audit Department performed closeout procedures. Although you were not the office holder during the period of our procedures, we are addressing the Auditor's Report to you as the current office holder. Our procedures included the following:

- Determined whether cash in the Office reconciled to the imprest balance and the balance was accurately recorded in the County's financial records.
- Determined whether the collections on hand reconciled to County receipts, financial reports generated by the Office, and a validated bank deposit slip or Treasurer's Receipt.
- On a test basis, determined whether controlled and capital assets existed and were accurately recorded in the County's property and equipment inventory records.

The engagement process included providing you with a combined engagement/scope letter and conducting an entrance and exit conference with your personnel. The purpose of the letter and conferences was to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

Dr. Umair A. Shah, Executive Director
Harris County Public Health & Environmental Services

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Barbara J. Schott", with a long horizontal flourish extending to the right.

Barbara J. Schott
County Auditor

cc: District Judges
County Judge Ed Emmett
Commissioners:
 R. Jack Cagle
 El Franco Lee
 Jack Morman
 Steve Radack
Devon Anderson
Vince Ryan
William J. Jackson

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ISSUES AND RECOMMENDATIONS				
Subject	Background	Issue	Recommendation	Management Response
Items Not Located	Assets that are no longer in the Office's control and considered missing should be removed from the County's property and equipment records by requesting Commissioners Court approval to remove the assets.	<p>Of the 128 assets selected for testing, 18 assets (14%) could not be located. These assets total \$120,540. Three are capital assets, each with a unit value of \$5,000 or more. The remaining 15 are considered County controlled assets with a unit value of at least \$500 but less than the \$5,000 capitalization threshold. Of the 18 assets not located, 16 assets are at least 15 years old.</p> <p>As a result, the County's property and equipment and financial records may be overstated.</p> <p>See note "a" on the attached Appendix.</p>	<p>The Office should attempt to locate these assets, and steps should be taken to identify and address the cause of the missing assets. If they are unable to do so, they should determine whether County Auditor's Form 3351, <i>County Property Deletion/Indemnification Request Form</i>, should be submitted to Purchasing to obtain Commissioners Court approval to remove these assets from the County's property and equipment records.</p> <p>To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and errors, such as items not located, and perform periodic</p>	<p>Form 3351, County Property Deletion Form has been submitted for 16 of the 18 items not located. The items have been removed from the records. Three of the items removed were capital assets with a unit value of \$5,000 or more. Tape Backup Unit noted as being housed in basement at the main office has not been located. This item will be removed. The serial number for another item marked "not located" has been corrected. Additionally, quarterly asset reports will be generated and reviewed to verify accurate information is contained in the appropriate data entry fields.</p>

ISSUES AND RECOMMENDATIONS				
Subject	Background	Issue	Recommendation	Management Response
(Continued) Items Not Located			property inventory audits.	
Serial Numbers	In accordance with Harris County Accounting Procedure A.1-1, <i>Property Handling Guidelines</i> , the County department must ensure the inventory records reflect sufficient identifying information, including unique identifying serial numbers.	Of the 128 assets selected for testing, 19 assets (15%) contained no unique identifying serial number in the County's property and equipment records. As a result, items cannot be completely reconciled with the County's property and equipment records, which results in noncompliance with the Procedures. See note "c" on the attached Appendix.	The Office should ensure the County's property and equipment records contain accurate information, including unique identifying numbers. To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and errors, such as recording serial numbers, and perform periodic property inventory audits. Subsequent to our procedures, the Office corrected this issue on six equipment items.	With the exception of the two items mentioned previously, items on the list with missing serial or motor equipment numbers have been corrected. The Wheel Base OPT are base units and do not have serial numbers. Public Health & Environmental Services will conduct periodic and annual inventory audits to reconcile differences between the inventory records and physical inventory. Additionally, quarterly asset reports will be generated and reviewed to verify accurate information is contained in the appropriate data entry fields.
Multiple Quantities	Pursuant to Harris County Accounting Procedure A.1-1, <i>Property Handling</i>	Frequently, one purchase order was used to acquire multiple quantities of a	The Office should follow Harris County Accounting Procedure A.1-1, <i>Property</i>	Multiple items purchased on one purchase order will be split in IFAS to ensure each

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Multiple Quantities	<i>Guidelines</i> , assets recorded in the County's property and equipment records should contain accurate information, such as unit values and serial numbers.	particular piece of equipment. For these items, the Office did not separate the individual assets purchased in the County's property and equipment records. Correct unit values and serial numbers were not recorded. As a result, the ability to detect missing assets in a timely manner is reduced. See note "b" on the attached Appendix.	<i>Handling Guidelines</i> , and ensure the property and equipment records contain accurate information, including unit values and serial numbers. To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and errors, such as recording multiple quantities, and perform periodic property inventory audits.	item is recorded properly. When possible, items will not be purchased on a single purchase order. Additionally, quarterly asset reports will be generated and reviewed to verify accurate information is contained in the appropriate data entry fields.
Motor Equipment Numbers	In accordance with Harris County Accounting Procedure I.9, <i>County Fuel Usage</i> , County vehicles using County fuel are required to have a fuel card. In order to obtain a fuel card, a department must provide the Purchasing Agent's Office - Fleet	Of the 128 assets selected for testing, two trucks (1.5%) which used County fuel did not reflect the motor equipment number in the County's property and equipment records. These trucks were previously tagged and fuel cards were assigned with the necessary	The Office should coordinate with Purchasing Services, Fleet Services, and the receiving department to ensure that the County's property and equipment records and the records maintained by Fleet Services contain the proper motor equipment numbers.	Public Health & Environmental Services will coordinate with Purchasing and Fleet Services as required to verify current and accurate motor equipment numbers are maintained. Quarterly asset reports will be generated and reviewed to verify records have not

ISSUES AND RECOMMENDATIONS				
Subject	Background	Issue	Recommendation	Management Response
(Continued) Motor Equipment Numbers	Services Section (Fleet Services) with a County equipment number. The County's financial system refers to this number as a motor equipment number. Fleet Services uses the motor equipment number to track fuel usage, repairs, and maintenance on County vehicles. The motor equipment numbers are reflected in the County's property and equipment records.	<p>motor equipment number. However, the motor equipment numbers were later removed from the County's property and equipment records.</p> <p>Subsequent to our procedures, the Office assigned new motor equipment numbers to these two items and transferred them to another County department. Fleet Services informed us that the original motor equipment numbers should have been reinstated.</p> <p>As a result, the records maintained by Fleet Services do not agree with the County's property and equipment records.</p> <p>See note "d" on the attached Appendix.</p>	To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and errors, such as omitted motor equipment numbers, and perform periodic property inventory audits.	changed. Any changes will be coordinated with Fleet Services.

ISSUES AND RECOMMENDATIONS				
Subject	Background	Issue	Recommendation	Management Response
Component Units	In accordance with Harris County Accounting Procedure A.1-1, <i>Property Handling Guidelines</i> , the County department must ensure the inventory records reflect sufficient identifying information, including unique identifying serial numbers and unit prices.	<p>In 2011, the Office purchased a temperature monitoring system comprised of several pieces of equipment. Although the different types of equipment were separated on the purchase order, the equipment is not separately identified on the County's property and equipment records.</p> <p>As a result, the inventory records contain a one-line entry for the system and do not reflect serial numbers or unit prices. In addition, the property and equipment records could contain incorrect information, and items missing may not be detected in a timely manner.</p> <p>See note "e" on the attached Appendix.</p>	<p>The Office should ensure the County's property and equipment records contain accurate information, including the separation of component units and the recording of serial numbers and unit prices. The Office should contact the County Auditor's Office - Financial Accounting Section to correct the records for the capital assets. The Office should record the serial numbers and unit prices for the County controlled assets.</p> <p>To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and errors, such as the separation of component units, and perform periodic property inventory audits.</p>	<p>Multiple items purchased on a single purchase order will be split in IFAS to ensure each item is properly recorded. The purchase order for the Temperature monitoring system will be investigated to determine how to separate items and include serial numbers and unit prices. Additionally, quarterly asset reports will be generated and reviewed to verify accurate information is contained in the appropriate data entry fields.</p>

ISSUES AND RECOMMENDATIONS				
Subject	Background	Issue	Recommendation	Management Response
Surrogate Receipts	Harris County Accounting Procedure D.3, <i>Petty Cash Accounts</i> , requires employees to submit original merchant receipts for items purchased when requesting petty cash reimbursement.	On at least eight separate occasions, the Office reimbursed employees for petty cash expenditures when the employees did not have an original receipt. The Office developed a "Surrogate Receipt" which the employees use in the absence of an original receipt or when no receipt was given. The employees submitted the Surrogate Receipts and received reimbursement. As a result, petty cash expenditures and reimbursements are not properly supported.	Original merchant receipts should be submitted for reimbursement in accordance with the Petty Cash Procedure. As the use of Surrogate Receipts is not provided for in the Petty Cash Procedure, the Office should cease using these documents.	Harris County Public Health & Environmental Services will adhere to Harris County Accounting Procedure D.3 Petty Cash Accounts. Requests for petty cash expenditure reimbursement will only be granted when original receipts are presented. The use of Surrogate Receipts will be stopped immediately.
VPH - Petty Cash Reimbursement Requests	Harris County Accounting Procedure D.3, <i>Petty Cash Accounts</i> , requires the Office to submit reimbursement requests on a regular basis.	Petty cash receipts dated 3/29/2012 were submitted for reimbursement on 6/21/2013. Because the Veterinary Public Health's \$200 petty cash fund had not yet been replenished from the \$170.68 reimbursement request, the	The Office should submit reimbursement requests on a regular basis in accordance with the Procedure.	Petty Cash reimbursement requests will be submitted on a regular basis or at least monthly.

ISSUES AND RECOMMENDATIONS				
Subject	Background	Issue	Recommendation	Management Response
(Continued) VPH - Petty Cash Reimburse- ment Requests		amount of cash on hand was \$29.32. Failure to timely submit reimbursement requests adversely affects the Office's ability to use the petty cash account, understates the expenses recorded in the County's financial statements, and could delay the reimbursement of the staff for their out-of-pocket expenditures.		

Public Health & Environmental Services
Appendix
Inventory Records Exceptions

OrgKey	Asset ID		Description	Serial Number	Status	Cost	Quantity
10027555	0351531-001-003	a	SPECTROPHOTOMETER FLAME SYSTEM 5100	152379	TV	28,822.00	1
100275ZZ	0287705-A01	a	X-RAY MACHINE/COLLIMATOR EUREKA LINEAR 1	F081063	TV	27,120.90	1
10027555	0351531-001-002	a	SPECTROPHOTOMETER FURNACE PERKIN ELM	8468	TV	25,058.00	1
10027535	0275841-A01	a	FREEZER ULTRA LOW TEMPERATURE	WZ24400A	PO	4,947.25	1
10027502	0352508-001-001	a	ANESTHETIC MACHINE-MATRIX VMC	BBTZ00252	TG	4,926.67	1
10027510	P131871-001-001	a,c	Tape Backup Unit, 400/800GB Full Height,		UA	4,113.95	1
100275ZZ	0358655-001-001	a	CABLE TESTERS DATA COM TECH	9701402	TG	3,590.00	1
100275ZZ	0316044-001-001	a	X-RAY UNIT SIEMENS DENTAL	17830	TG	3,355.00	1
100275ZZ	A062665-A01	a	MICROSCOPE LEITZ LABORLUX W/ACCESS.	59242	TG	3,332.24	1
100275ZZ	0369769-001-001	a	CPU LAPTOP GATEWAY SOLO 2300LS NOTEBOOK	BC498051173	TG	3,160.00	1
100275ZZ	0369040-001-002	a	NITROUS OXIDE/OXYGEN SYSTEM W/CART	31052	TG	3,103.00	1
10027535	A037033-A01	a	AMERICAN OPTICAL MICROSCOPE	XL-BU-FW-373695	TG	1,828.00	1
100275ZZ	0352583-001-002	a	AIR POLISING PROPHYLAXIS SYSTEM	111-13281	TG	1,545.99	1
100275ZZ	0369334-003-001	a	SCANNER BAR CODE READER NCS	NONE	TG	1,260.00	1
JSC27510	P061399-002-001	a	120 FT WINCH, #8102005. SALALIFT II	6248	TG	1,147.27	1
BJ727589	0362859-001-008	a	SENSAPHONE 2000 ENVIRONMENTAL MONITO	NOT ACCESSIBLE	TG	1,100.00	1
100275ZZ	0329165-003-002	a	DENTAL LIGHT P & C FANTASTIC II/POST	HBU-77300	TG	1,095.00	1
100275ZZ	0286273-A01	a	FIBER OPTIC LIGHT SYSTEM W/HANDPIECE	NONE	TG	1,035.00	1
25127563	P009236-001-001	d	1999 CHEV PICKUP TRUCK 3/4TN REG CAB 4X4	1GCGK24J0XR725479	TV	21,474.00	1
25127563	P009236-001-002	d	1999 CHEV PICKUP TRUCK 3/4TN REG CAB 4X4	1GCGK24J9XR724931	TV	21,474.00	1
JGG27514	P118857-001-002	c	OUTBOARD ENGINE 200 HP EVINRUDE		TV	15,846.67	1
10027548	P117184-001-001	c	OUTBOARD MOTOR, NEW EVINRUDE E TECH 150		UA	13,093.19	1
JSE27510	P094802-001-001	c	HONDA EM700LS GENERATOR		UA	2,592.00	1
PRJ27553	P151433-002-002	c	1AYG7 Gas Generator 10KW, 18HP, 120/240		UA	1,859.40	1
10027536	P117552-002-001	c	MILLER SYCHROWAVE 200 TIG WELDER.		UA	1,827.50	1
LLG27541	P113628-001-001	c	BINOCULARS ZEISS CONQUEST 8X40, B T*		UA	949	1
AAJ27571	P163251-002-001	b,c	LCD TV'S 40 SAMSUNG LN40B530"		UA	4,794.00	6
10027510	P132584-004-001	b,c	901.8225 - WHEEL BASE OPT. 3000MXP		UA	5,176.50	5
VQM27511	P185968-001-001	b,c,e	MONITORING SYSTEM/ multiple units		PO	36,769.50	1

Notes

- a Not Located
- b Multiple Quantities
- c No Serial Numbers
- d Missing Motor Equipment Numbers
- e Component Units

Status Codes

- TV Tagged by Purchasing, Verified by Auditor
- TG Tagged by Purchasing
- UA Department "User" Accepted
- PO Purchase Order, Not Received